

1984-85

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA
HOUSE OF REPRESENTATIVES

STATES (WORKS AND HOUSING) ASSISTANCE BILL 1984

EXPLANATORY MEMORANDUM

(Circulated by Authority of the Treasurer,
the Hon P.J. Keating MP)

STATES (WORKS AND HOUSING) ASSISTANCE BILL 1984

GENERAL OUTLINE AND MAIN PURPOSE OF BILL

The main purpose of the Bill is to obtain the approval of Parliament for the payment in 1984-85 of:

- interest-free capital grants to the States of \$521,500,000 as part of the 1984-85 States' Loan Council programs; and
- amounts States may nominate from their 1984-85 Loan Council programs (and the Northern Territory from its equivalent general purpose capital advances) as being for the purpose of public housing and payable under the concessional loan terms and conditions of the Commonwealth-State Housing Agreement;

in accordance with arrangements approved at the June 1984 Loan Council meeting.

The grants for State works are being made in accordance with arrangements originally agreed at the June 1970 Premiers' Conference as part of revenue assistance arrangements under which the Commonwealth Government provides a portion of the States' Loan Council programs as capital grants in lieu of loan raisings. The purpose of the capital grants is to relieve the States of debt charges they would otherwise have to pay and thus free funds for other purposes.

Grants amounting to \$521,500,000, equal to one-third of the approved Loan Council programs for the States in 1984-85, were agreed to at the 21 June 1984 Loan Council meeting. The Bill also authorises the payment of capital grants in the first six months of 1985-86 pending passage of similar legislation in that year.

The object of providing concessional loans for public housing, of amounts to be nominated by the States and the Northern Territory, is to provide an incentive for the States and the Northern Territory to increase the amounts which they direct to public housing. To be eligible to nominate amounts, however, a State or the Northern Territory must be able to meet its matching requirements for the purposes of the Commonwealth-State Housing Agreement.

Since most States and the Northern Territory have not yet nominated additional amounts for public housing out of their Loan Council programs, this Bill seeks general legislative authority to make the payments at the appropriate time without at this stage specifying figures. Overall funds to be provided to the States in 1984-85 have already been determined. This Bill provides for certain of these funds to be provided under the concessional terms and conditions of the Commonwealth-State Housing Agreement to the extent that the States and the Northern Territory nominate funds for

public housing. The Bill also authorises the payment of nominated amounts in the first six months of 1985-86 pending passage of similar legislation in that year.

The amount of the grants and the concessional loans for public housing is included in the borrowing program approved by the Loan Council for the Commonwealth Government and the Bill provides the necessary borrowing and appropriating authority.

NOTES ON CLAUSES

CLAUSE 1 - SHORT TITLE

Self-explanatory.

CLAUSE 2 - COMMENCEMENT

Self-explanatory.

CLAUSE 3 - INTERPRETATION

Self-explanatory.

CLAUSE 4 - GRANTS TO STATES DURING YEAR 1984-85 IN RESPECT OF
CAPITAL EXPENDITURE

Sub-clause (1), in conjunction with the second column of the Schedule to the Bill, sets out the amount payable to each State during 1984-85 as its share of the total grants of \$521,500,000 in that year. The grants are expressed as being 'in connection with expenditure of a capital nature' but the States are free to apply them as they decide.

The capital grants are distributed between the States in the same proportion as the total State Governments' Loan Council program approved at the 21 June 1984 Loan Council meeting.

Sub-clause (1) also provides that any amounts paid in 1984-85 under authority of section 5 of the States (Works and Housing) Assistance Act 1983 (which provided for the making of advance payments in the first six months of 1984-85) shall have the effect of reducing the amounts payable under this Bill. The purpose of this provision is to ensure that the total grant paid to each State in 1984-85 is not greater than the amount payable to it as set out in the second column of the Schedule to the Bill.

Sub-clause (2) authorises the Treasurer to approve the amounts and timing of payments making up a State's entitlement for 1984-85. This is the normal practice with

respect to these and other general purpose payments to the States. In practice, the grants are normally paid in equal weekly instalments.

CLAUSE 5 - ADVANCE PAYMENTS TO STATES FOR 1985-86 IN RESPECT OF CAPITAL EXPENDITURE

This clause authorises the Treasurer to make payments to the States of capital grants during the first six months of 1985-86 pending the enactment of corresponding legislation for that year.

Pending the passage of corresponding legislation in 1985-86, the amount to be paid to the States during the first six months of 1985-86 under this clause will not exceed one-half of the grants paid to them in 1984-85.

CLAUSE 6 - LOANS TO STATES FOR PUBLIC HOUSING

Sub-clause (1) provides for general legislative authority to make payments to the States of whatever amounts they may nominate from within their 1984-85 Loan Council borrowing programs as being for public housing purposes in 1984-85. Column 4 of the Schedule to the Bill sets out the borrowing components of the Loan Council programs; these amounts therefore represent the maxima which the States may nominate.

Sub-clause (2) provides for the nominated amounts to be paid at the concessional loan terms and conditions of the Commonwealth-State Housing Agreement, with the exception being that they do not have to be matched from States' own resources. These terms and conditions allow for loans to bear interest at the rate of 4.5 per cent per annum and to be repaid over 53 years.

Sub-clause (3) authorises the Treasurer to approve the amounts and timing of payments making up a State's entitlement for 1984-85. This is a similar authority to that in sub-clause 4(2) regarding payments of capital grants.

CLAUSE 7 - LOANS NOT TO BE MADE TO STATE IN CERTAIN CIRCUMSTANCES

This clause requires that, before a State becomes eligible to receive a concessional loan under clause 6, the Treasurer must be satisfied that the State will be able to meet its matching requirement in 1984-85 under the Housing Assistance Act 1984. This condition was indicated to the States at the 21 June 1984 Loan Council meeting and is consistent with the arrangements set out in the Commonwealth-State Housing Agreement. The clause ensures that the States use funds from their own resources to meet the matching requirements.

CLAUSE 8 - VARIATION OF CONDITIONS RELATING TO LOANS TO STATES

Sub-clause (1) provides the Treasurer with the discretion to reduce or remove the concessional interest and repayment terms attached to all or part of the loan to a State if he receives advice from the Minister for Housing and Construction that the State, in the year ending 30 June 1985, has not met the matching requirement under the Housing Assistance Act 1984 as required by clause 7.

Sub-clause (2) provides the Treasurer with the same discretion as under sub-clause (1) if he receives advice from the Minister for Housing and Construction that a State, in the year ending 30 June 1985, has not been able to expend or commit the whole or a part of the loan made for the purpose of public housing under clause 6.

CLAUSE 9 - ADVANCE PAYMENTS TO STATES FOR 1985-86 IN RESPECT OF PUBLIC HOUSING

This clause has been included as a contingency to allow for the possible continuation in 1985-86 of arrangements similar to those provided by this Bill in clause 6 in relation to 1984-85.

Sub-clause (1) authorises the Treasurer to make payments to the States of nominated amounts during the first six months

of 1985-86 up to an amount equal to one-half of the borrowing element of their 1984-85 Loan Council programs.

Sub-clause (2) authorises the Treasurer to make any advance payments on such terms and conditions as he considers to be appropriate at that time.

CLAUSE 10 - LOANS TO THE NORTHERN TERRITORY FOR PUBLIC HOUSING

This clause provides for arrangements for the Northern Territory analogous to those for the States under clause 6.

CLAUSE 11 - LOAN NOT TO BE MADE TO THE NORTHERN TERRITORY IN CERTAIN CIRCUMSTANCES

This clause provides for arrangements for the Northern Territory analogous to those for the States under clause 7.

CLAUSE 12 - VARIATION OF CONDITIONS RELATING TO LOAN TO NORTHERN TERRITORY

This clause provides for arrangements for the Northern Territory analogous to those for the States under clause 8.

CLAUSE 13 - ADVANCE PAYMENTS TO NORTHERN TERRITORY FOR 1985-86 IN RESPECT OF PUBLIC HOUSING

This clause provides for arrangements for the Northern Territory analogous to those for the States under clause 9.

CLAUSE 14 - PAYMENTS TO BE MADE OUT OF CONSOLIDATED REVENUE FUND OR FROM LOAN FUND

The effect of this clause is to allow payments under the Act to be made either from the Consolidated Revenue Fund or from the Loan Fund.

CLAUSE 15 - AUTHORITY TO BORROW

Sub-clause (1) authorises the Treasurer to borrow, during the period beginning on the date of commencement of the Act and ending 31 December 1985, an amount being the total of the grants payable under sub-clause 4(1) and clause 5, the amounts to be provided for public housing under sub-clauses 6(1) and 10(1) and clauses 9, and 13, and the expenses of borrowing which will be charged to Loan Fund.

Sub-clause (2) provides that the amount that may be borrowed under paragraph 1(a) of sub-clause (1) is to be reduced by the sum of any amount borrowed in accordance with the provisions of sub-section 15(1) of the States (Works and Housing) Assistance Act 1983, for the purpose of making payments in accordance with section 5 of that Act. The effect of this sub-clause is to ensure that any borrowings

made before the commencement of the Act which are applied to the financing of grants under the Act will not be additional to the borrowings authorised under the Act.

CLAUSE 16 - APPLICATION OF MONEYS BORROWED

The effect of this clause is to limit the use of any funds borrowed under sub-clause 15(1) to the meeting of borrowing expenses, the making of interest-free capital grants to the States, the making of concessional public housing loans to the States and the Northern Territory, and the reimbursement of the Consolidated Revenue Fund for any payments made from the Loan Fund under this legislation (see sub-clause 17(1)).

CLAUSE 17 - REIMBURSEMENT OF CONSOLIDATED REVENUE FUND FROM LOAN FUND

Sub-clause (1) authorises the Minister for Finance to reimburse the Consolidated Revenue Fund for payments of the grants made from it if and when loan proceeds become available.

Sub-clause (2) provides authority to enable amounts paid from the Loan Fund to the Consolidated Revenue Fund in accordance with sub-clause (1) to be shown, in the statements of receipts and expenditure of the Consolidated Revenue Fund (prepared under section 50 of the Audit Act 1901 as amended),

as deductions from expenditure from that Fund rather than as receipts of that Fund. This practice is designed to ensure consistency between the formal Department of Finance accounts and various other statements on the financial transactions of the Commonwealth Government.

CLAUSE 18 - APPROPRIATION

This clause appropriates the Consolidated Revenue Fund and the Loan Fund for payments to be made under the Act.

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